



ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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SERVING OVER 325,000 MEMBERS

June 2009

Golf Magazine

“Sweet Home Alabama”



The June issue of *Golf Magazine* has a four-page spread on RSA's Robert Trent Jones Golf Trail. According to writer Travelin' Joe Passon:

You won't find better value than the Robert Trent Jones Golf Trail . . . no other destination offers such a

complete collection of country-club-for-a-day courses at such bargain-basement prices. The success of the RTJ Trail makes it clear that some destinations are just worth it, whether you're Joe Six-Pack, or Joe Six-Handicap. I'll be back to visit the sites I did not have time to visit this trip.



Travelin' Joe's top four picks on The Trail are Prattville, Opelika, Greenville, and Ross Bridge. ■

Tourism Grows

Tourism and travel-related spending in Alabama grew 3 percent last year, shaking off an economic recession that began in December 2007, according to figures released in May.

Tourism officials said nearly 22.4 million people visited Alabama last year and spent nearly \$9.6 billion in the state. Those visitors also paid \$702 million in state and local lodging and sales taxes. It was the 10th straight year of rising travel-related expenditures.

“The numbers for 2008 bring good economic news for Alabama. The dollars spent on tourism create jobs, grow local economies and generate needed tax revenues,” Gov. Bob Riley said in a statement.

Editor's note: RSA started pushing tourism about 15 years ago; at that time tourism was only a \$1.8 billion business in Alabama. ■

PEEHIP Board Actions

By Marcus H. Reynolds, Jr.

Dr. Bronner asked me to write an article summarizing the actions taken at the last PEEHIP Board meeting, and I am having a real hard time because I feel rotten. It is not because of lack of sleep as a result of nights that I laid awake thinking about the upcoming Board meeting and exactly what I was going to say to the Board. It is because on that day, I helped kill somebody. I am not in any trouble or anything. I was simply doing my job.

I presented to the Board fiscal year 2010 funding requirements including the reality that there were insufficient funds available to complete the year. My staff explored every possible way to make the numbers work. We started with a deficit of over \$60 million and got it down to around \$5 million.

After closing the funding gap by \$55 million, I then presented to the Board every available option to fund the final \$5 million. My preferred solution and recommendation was a premium increase of \$2.00 per month for individual and dependant coverage. This would have meant an increase in premiums for active teachers from \$2.00 to \$4.00 per month and retirees over 65 from \$1.14 to \$3.14 per month. Instead, the Board elected to reduce expenses by cutting benefits and eliminating the Wellness Program with the exception of flu vaccinations.

Out the door went the Weight Watchers Program, Osteoporosis Screening, Fecal Occult Screening, as well as Blood Pressure and Cholesterol Screenings. What this means is that some member or members will now advance to full-blown colon cancer before they are even aware they have the disease. It will happen because they will not be screened and receive an early diagnosis while the disease is still easily and successfully treatable.

There will be others who suffer strokes and heart attacks because elevated blood pressure and cholesterol levels will not be detected and treated. I understand that I am only talking about a relatively few people in this case and not focusing on the 140,000 members and retirees that will not have to pay that extra \$2.00 every month.

As hard as I try to look on the bright side, I still feel miserable. I really have a hard time believing that there is even one person covered under PEEHIP who would not gladly give \$2.00 per month to keep one person from dying such an agonizing death. Prevention of serious medical problems is the key to funding great medical benefits. ■

Big Picture – Two Big Problems

Source: *ISD Research*

Over 40% of the current federal budget is devoted to Social Security, Medicare and Medicaid – a percentage that will only continue to grow.

According to the Pete Peterson Institute, for every dollar that the federal government spends on children's education, health care, income support and other programs that help parents meet their children's basic needs, it spends more than \$4 on behalf of older Americans. *So much for investing in a better, more economically-productive tomorrow.* The amount of money the Social Security system would need today to cover all unfunded liabilities from now on is \$13.6 trillion, an amount slightly less than the annual GDP of the U.S. at \$14.2 trillion.

Demographics tell the story. As birthrates have fallen, so too has the worker-retiree ratio, which means today's workers pull a far bigger load than the system designers ever imagined. Life spans have lengthened without a corresponding increase in the retirement age, leaving retirees in a position to receive benefits far longer than the system designers envisioned. Additionally, the benefit formulas and cost-of-living adjustments have also contributed to the growth in unfunded liabilities. (Recent forecasts from the CBO and the Obama administration suggest there will be no increase in Social Security benefits in 2010 and 2011. Beneficiaries have received an automatic cost-of-living, or

COLA, every year since 1975.) The good news is this Social Security shortfall might be manageable. A partial "fix" would be comparatively simple – raise the retirement age.

The bad news is that Social Security is the lesser of our entitlement worries. Medicare is a far bigger storm on the horizon. America's seniors rely on Medicare to provide comprehensive, affordable insurance coverage. The Medicare system consists of three parts: Medicare Part A, which covers hospital stays; Medicare B, which covers doctor visits; and Medicare D, the drug benefit that was enacted in 2006. According to the 2008 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplemental Medical Insurance Trust Funds, Medicare's unfunded liability is \$36 trillion. However, as the Heritage Foundation points out, if a perpetual time horizon is used, which is preferred to the Trustee's alternative 75-year horizon since Medicare is expected to operate beyond 75 years, the program's total unfunded liability is \$85.6 trillion – more than six times that of Social Security and more than six times the annual output of the entire U.S. economy.

Medicare spending is growing steadily in both absolute terms and as a percentage of the federal budget. Total Medicare spending reached \$440 billion for fiscal 2007, or 16% of all federal spending. *The system's costs are growing*

twice as fast as Social Security's – about 7% per year. Conservatively, it's estimated that in the next ten years, Medicare spending will consume at least 25% of federal income tax revenues. If the costs of Medicaid were included, this percentage would likely be much higher. This shared program with the states that is used to cover nursing home costs for indigent seniors is growing exponentially.

Medicare is not only struggling with the same birthrate and life expectancy issues as Social Security, it also has to contend with rising medical costs, including expensive new medical treatments and drugs that the system is willing to pay for. Indeed, the new drug benefit program's unfunded liability is by itself one-third greater than all of Social Security's. Moreover, Medicare benefits continue to expand.

For example, Medicare's spending on cancer drugs has skyrocketed in recent years because Congress has severely limited the program's ability to negotiate on price or question efficacy. According to Dr. Peter Bach of Memorial Sloan-Kettering Cancer Center, the program's spending on drugs administered in a doctor's office, the vast majority of which are cancer treatments,

Continued on page 4

DOCTOR DATA

Getting sick or getting surgery? Some sites to help you pick a hospital or doctor:

HEALTHGRADES.COM

Complication and mortality rates for 28 kinds of care at 5,000 hospitals (free); reports on doctors, including board certification and disciplinary actions (\$13).

ABMS.ORG

Free search to see whether your doctor is board certified.

CONSUMERHEALTHRATINGS.COM

Links to many state sites that collect performance data on hospitals and doctors.

HOSPITALCOMPARE.HHS.GOV

Survey data from patients and grades on whether hospitals followed certain protocols.

SWELLING COSTS

Cumulative U.S. growth rates since 1999

34%

CONSUMER PRICES

29%

WAGES

119%

HEALTH INSURANCE PREMIUMS*

*Figures are for employer-based plans
Data: Kaiser Family Foundation

Taxes and Square Feet

Soure: *MONEY*

EDEN PRAIRIE, MINNESOTA

Price \$500,000 Taxes \$5,892
Mortgage \$400,000 Square Feet 4,023

SEATTLE, WASHINGTON

Price \$709,000 Taxes \$5,586
Mortgage \$567,200 Square Feet 2,340

SOUTH SALEM, NEW YORK

Price \$899,000 Taxes \$19,935
Mortgage \$719,200 Square Feet 3,634

MONTGOMERY, ALABAMA

Price \$499,000 Taxes \$1,822
Mortgage \$399,200 Square Feet 3,565

STEVENSON RANCH, CALIFORNIA

Price \$899,900 Taxes \$7,683
Mortgage \$719,920 Square Feet 3,773

WEST HARTFORD, CONNECTICUT

Price \$549,000 Taxes \$10,477
Mortgage \$429,200 Square Feet 4,299

SCARY Alabama Public High School Dropout Rates

Source: www.southerneducation.org

School System	2006 Dropout Rate	School System	2006 Dropout Rate
STATE RATE	38.75%	HENRY	50.71%
AUTAUGA	37.87%	HOUSTON	38.20%
BALDWIN	39.55%	JACKSON	37.84%
BARBOUR	44.66%	JEFFERSON	33.87%
BIBB	41.16%	LAMAR	38.68%
BLOUNT	36.44%	LAUDERDALE	31.63%
BULLOCK	39.07%	LAWRENCE	36.52%
BUTLER	37.30%	LEE	38.74%
CALHOUN	38.97%	LIMESTONE	35.44%
CHAMBERS	42.05%	LOWNDES	49.02%
CHEROKEE	36.84%	MACON	51.49%
CHILTON	35.82%	MADISON	35.22%
CHOCTAW	34.58%	MARENGO	47.45%
CLARKE	41.88%	MARION	30.25%
CLAY	26.37%	MARSHALL	47.21%
CLEBURNE	45.78%	MOBILE	42.56%
COFFEE	23.91%	MONROE	31.86%
COLBERT	35.19%	MONTGOMERY	51.19%
CONECUH	53.39%	MORGAN	39.55%
COOSA	41.58%	PERRY	24.72%
COVINGTON	35.68%	PICKENS	26.24%
CRENSHAW	46.57%	PIKE	45.50%
CULLMAN	29.26%	RANDOLPH	36.33%
DALE	29.88%	RUSSELL	51.34%
DALLAS	43.96%	ST. CLAIR	45.29%
DEKALB	43.62%	SHELBY	29.73%
ELMORE	42.82%	SUMTER	29.74%
ESCAMBIA	40.79%	TALLADEGA	45.32%
ETOWAH	38.41%	TALLAPOOSA	43.70%
FAYETTE	30.29%	TUSCALOOSA	48.32%
FRANKLIN	39.46%	WALKER	34.39%
GENEVA	32.97%	WASHINGTON	31.24%
GREENE	44.46%	WILCOX	80.01%
HALE	35.98%	WINSTON	24.80%



TRS Board of Control

Dr. Paul Hubbert administers the Oath of Office to Mrs. Sallie Cook, who retains a Retiree Position on the TRS Board of Control.

WANT TO HELP?



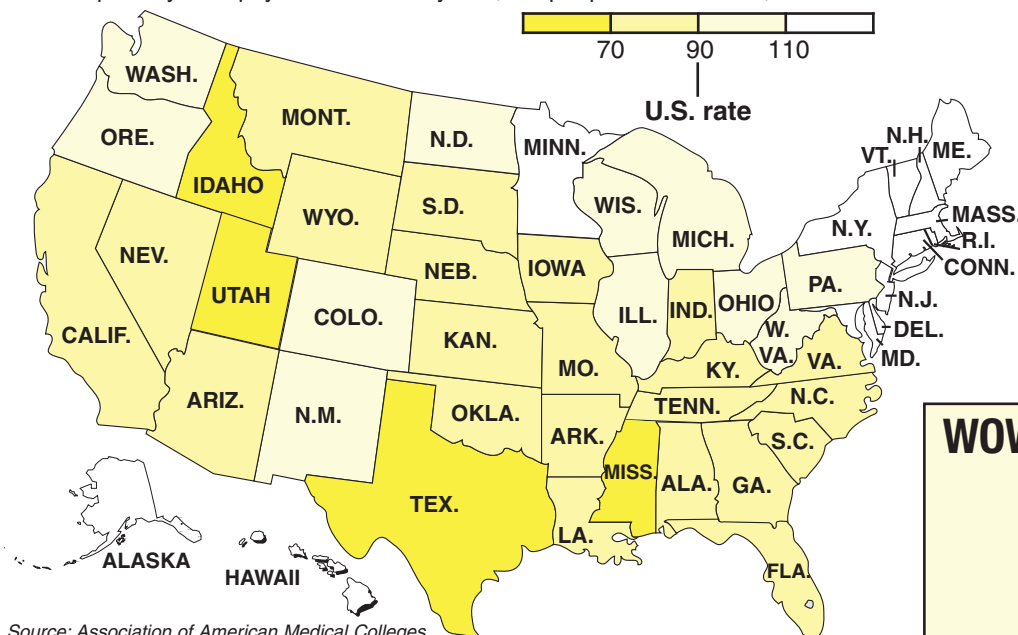
A FREE Car Tag

Tired of that worn-out dealer tag on the front of your car? Would you like to help the RSA and our Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call to request a tag at 334-517-7000, or 877-517-0020, or write:

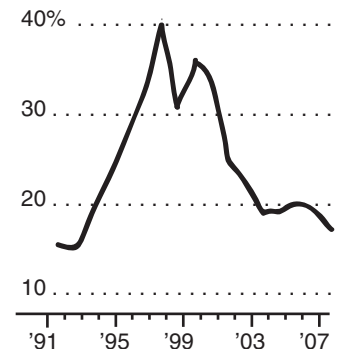
Tag, P.O. Box 302150
Montgomery, AL 36130-2150

Primary Care Providers in Short Supply

Active primary care physicians for every 100,000 people in each state, Jan 2008



Percentage of medical school graduates who said they intended to go into primary health care



WOW - "The Grand Hotel"
Just Ranked #1
OF ALL Marriott
Resort Hotels!

Source: Association of American Medical Colleges

ENJOY YOUR SUMMER
A Special Deal
FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$89**

- June 4–6, 12–14, 19–20, 28–30
- July 5–7, 10–16
- August 9–11, 17–27

**The Renaissance Riverview Plaza –
Mobile – \$79**

- June 4–6, 12–14, 19–20, 28–30
- July 5–7, 10–16
- August 9–11, 17–27

Marriott Grand – \$89 plus a 14% resort fee

- June 3, 28–30 • July 5–6, 12, 22–23, 26–28
- August 2–4, 9–12, 16–22, 29–31

Marriott Grand – RSA Golf Package – \$169

Ask for code – LOCD

Includes: Deluxe Room, One Round of Golf for Two People.

Call for Tee Times after booking package

- June 3, 28–30 • July 5–6, 12, 22–23, 26–28
- August 2–4, 9–12, 16–22, 29–31

Marriott Shoals – Florence – \$79

- June 9–11, 18, 21–23, 28–29
- July 6–9, 19–21, 26–27
- August 2–4, 9–11, 23–25, 30–31

Renaissance Ross Bridge – Hoover – \$89

- June 1–5, 7–12, 14, 18–20, 24–28
- July 1–11, 14–28, 31
- August 1–2, 6, 9–13, 16–31

Opelika Marriott – \$79

- June 2–11, 16–18, 21–25, 27–30
- July 1–9, 14–15, 19–22, 26–27, 30–31
- August 1–7, 11, 13, 16–26, 30–31

Prattville Marriott – \$79

- June 1, 4, 7–9, 21–23, 28–30
- July 1–9, 12, 15–16, 19–23, 26–29, 31
- August 1, 5, 9–12, 16–19, 30–31

Renaissance Montgomery – \$89

- June 1–2, 5–11, 14–16, 19–22, 26–30
- July 1–6, 10, 12, 15–16, 18–21, 25, 29–31
- August 1–5, 16–22, 28–31

RSA Spa Package – \$159

Ask for code – LOCD Includes Deluxe Room

- June 2, 9–11, 16
- July 1–2, 15–16, 21, 29–30
- August 4–5, 18–20

Rates available the 1st of the month and are not applicable to groups.

Code: RABM, 800-228-9290

Internet promo code: R2A on marriott.com

Book Online e³ Save RSA \$4.

Big Picture *continued from page 2*

rose from \$3 billion in 1997 to \$11 billion in 2004, a 267% increase.

A November 2008 decision by the agency that greatly expands patients' legal access to cancer drugs means spending on cancer drugs will rise even faster going forward. As *Business Week* reported earlier this year: "Fifteen years ago, Bristol-Myer's Taxol was the only commonly-used cancer drug that cost more than \$2,500 per month. Today, Genentech's Avastin, Eli Lilly's Erbitux and Novartis' Gleevec, all widely used, can cost \$10,000 per month and up."

Fraud is also a serious drain. A *Washington Post* story from last June reported that limited resources mean that fewer than 5% of Medicare claims are audited. The annual cost to taxpayers for Medicare fraud is estimated to be over \$60 billion.

Managing Medicare and Social Security's combined unfunded liabilities of \$99.2 trillion will not be simple. The calculation is not a happy one. With a total population of 304 million, from infants to the elderly, the per-person payment to the federal treasury would come to \$330,000. This comes to \$1.3 million per family of four – over 25 times the average household's income. ■



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